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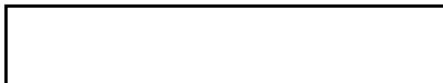
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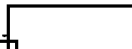
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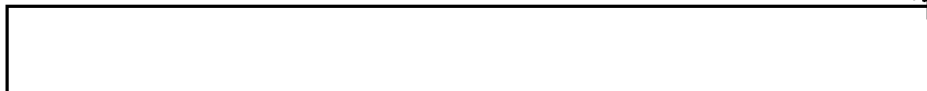


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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



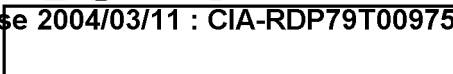
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3. Britain fears French withdrawal from Indochina:

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The American Embassy in London reports that the British Foreign Office is preparing an approach to the United States for an immediate joint consideration of the position to be taken

in the event of a French military withdrawal from Indochina. The Foreign Office is disturbed by rumors that the French are already tentatively negotiating with Ho Chi Minh and by the possibility that present serious domestic economic and political instability may prompt the French to withdraw from Indochina as rapidly as circumstances permit. In the British view, the previous tripartite discussions of Southeast Asian defense have provided no solution for this particular contingency.

Comment: Since the tripartite Singapore Conference in May 1951, the British Foreign Office has been urging the United States to assume a more direct role in the defense of Southeast Asia.

While a minority in the French National Assembly favors a withdrawal from Indochina, the new Pinay government and a large majority in Parliament have given every indication that they intend to defer reconsideration of this issue for the immediate future while various revenue-raising expedients are attempted.

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NEAR EAST - AFRICA

4. British withdrawing recognition of nationalization principle in Iranian Oil dispute:

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The British Charge in Tehran has been instructed to present to the Iranian Foreign Minister, not later than 15 March, a note stating that Britain no longer recognizes the principle of nationalization as applied to the oil industry.

The note points out that the British Government had previously recognized this principle in an effort to obtain a settlement of the oil dispute, but that since last summer's conditions no longer exist, neither the government nor the Anglo-Iranian Oil Company are now bound by the principle. According to the Charge, this note is just for the record and to maintain Britain's position before the International Court of Justice.

Comment: The note on nationalization will prejudice the present favorable atmosphere of the negotiations with the International Bank for an interim settlement and may even cause the Iranian Government to take further anti-British actions.

Other notes to be presented by the same deadline protest the closing of British information and cultural centers in Iran, the last-minute refusal of Iran to sign a civil air agreement with Britain, and anti-British articles in the Iranian press.

5. Shah believes problem of US aid to Iran will be solved soon:

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The Shah, in a conversation with General Zimmerman, Chief of the US Military Mission, said that the Mossadeq government will not be in power much longer and that the problem of the US Military Mission and of American military aid will be solved when a new government takes over. He urged that the Mission continue

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temporarily without a contract and emphasized the difficulties it would face in returning if it left. The Shah added that he was disappointed by the small amount of military aid given Iran because he thought its strategic position should result in special consideration.

Comment: The Shah's belief that the government will not remain in power may be inspired by Prime Minister Mossadeq's recent statements that he intends to resign after the new Majlis meets in April. However, Mossadeq continually vacillates on the question of his resignation.

6. British Ambassador sees no hope in current London approach to Anglo-Egyptian dispute:

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Recent London drafts of a joint Anglo-Egyptian declaration on the reopening of negotiations "would not have the slightest chance" of success, according to the British Ambassador in Cairo, because they do not "take care of" the Sudan issue.

Comment: Continuing British unwillingness to recognize Farouk as King of the Sudan would prolong the present stalemate.

7. Defense Minister wants Libya to join Middle East Command:

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The Libyan Defense Minister has expressed his country's eagerness to participate in the proposed Middle East Command. Libya's strategic importance, he told the American Minister, should make it an integral part of Middle East defenses; and the fact that Libya's future lies in association with the United States and the United Kingdom makes it ready to share in the support of free nations.

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The Minister also discussed plans for the Libyan defense force, saying that he looked to Britain for help in training Libyan soldiers and to the United States for "assistance in some form."

Comment: Newly created Libya is not a member of the Arab League, and is the only Arab country which has expressed a positive desire to join the Command. While many Arab leaders have privately shown interest in the MEC, none has dared to support the idea in public for fear of antagonizing Egypt.

8. Program for Tunisian reforms to be submitted to French Cabinet next week:

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[Redacted] The Foreign Office expects to submit proposals for reform in Tunisia to the French Cabinet next week. The Foreign Minister reportedly realizes that there is need for haste and that a continuation of the present impasse would be prejudicial to French prestige.

Comment: Although the Foreign Office saw no need for speed as recently as 22 February, the activity of the Arab-Asian bloc in lining up support for a Security Council discussion of Tunisian problems has made an early decision imperative.

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[Redacted]

Little likelihood exists that a "bold new program" would be approved, since the Pinay Cabinet is not likely to antagonize the increasing number of French rightists who are convinced that a forceful approach is the only one suited to the Arab mentality.

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WESTERN EUROPE

10. Britain insists upon prohibiting German manufacture of magnetic mines:

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[REDACTED] Foreign Secretary Eden has asked the United States to reconsider its rejection of the British proposal to include magnetic and other types of influence mines among the weapons Germany is to be prohibited from manufacturing. Britain is principally concerned at the danger of the USSR's overrunning Germany and obtaining facilities for manufacturing weapons which are a matter of "life and death" to a country dependent upon sea communications. Eden understands that Sweden has already asked Germany to make influence mines.

According to Eden, neither Churchill nor Defense Minister Alexander will accept anything less than the present British proposal.

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Comment: The Allies had reached almost complete agreement on German security controls, which include armament restrictions, when Britain introduced a belated proposal to extend the definition of guided missiles to include influence mines.

11. French Socialists may attempt to force British participation in EDC:

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 Guy Mollet, Secretary General of the French Socialist Party, apparently plans to try to force Britain to participate in the European Defense Community. He has informed American officials in Paris that at the 22 March meeting with British Labor Party representatives his party will publicly declare that Britain's participation is essential for Socialist support of the EDC treaty.

The US Embassy in Paris infers that Mollet intends to swing his party back to ratification of the treaty if the maneuver fails, but it questions his ability to do so in view of basic Socialist opposition to the Defense Community.

Comment: Socialist support is essential for French ratification of the European Defense Community, since dissident middle-of-the-road deputies are numerous enough to give the Communists and the Gaullists a majority against the measure.

Although a powerful element within the British Labor Party favors committing British troops to the European Army to prevent German domination, neither the Labor Party as a whole nor the British Government is prepared to consider closer political association with the Defense Community.

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